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Report Highlights:
"What's New, Eh?" * New U.S. Organic Regulations Pose Challenges for Canada * CWB Complying with International Trade Rules * CWB Trade Challenge Will Cost Prairie Farmers Millions * CWB Cautiously Back in Export Market * Talks Fail in Vancouver Grain Dispute * Grain Commission Puts Controls on Non-US Foreign Grain * Drought Cuts Canadian Seed Supplies * Snow Halts Saskatchewan Harvest in Many Areas * GM Canola Accounts for 63% of Acreage in 2002, Says Council * U.S. and Canada Cooperate on Ash Tree Pest * Canadian Food & Beverage Show * B.C. Opens Door for More Washington State Wine Imports

...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NEW U.S. ORGANIC REGULATIONS POSE CHALLENGES FOR CANADA: Following last week's implementation of the U.S. national organic standards, all organic products sold in the United States must meet or exceed U.S. standards. Canada , which exports most of its organic production to the U.S. has its own national organic standard, but it is voluntary. According to Katherine DiMatteo, executive director of the U.S. based Organic Trade Association, Canadian producers who are certified by a USDA approved certifier will be able to continue to sell their products in the U.S., but it would be preferable if Canada adopted mandatory certification. "USDA has told us they're looking at Canada's submission, and trying to work out how to address the fact that it's a voluntary standard. Our sense is it would be easier if the Canadian standard were not voluntary," said Ron Krystynak of the Canadian Embassy in Washington. According to Krystynak, USDA is allowing a transition period as the regulation is implemented. "Canadian products from this year's harvest will be accepted," he said, noting that subsequently, U.S. acceptance of Canada's standard will be needed for Canadian organic products to enter the United States. Products certified by a USDA accredited certification agency will also be allowed. This year, the Canadian General Standards Board undertook a review process to ensure that the Canadian organic standards meet domestic and international requirements. When the review is complete, the standard will be submitted to the Standards Council of Canada for final ratification. At this time, however, the organic standard is not slated to become a mandatory, codified federal regulation.

CWB COMPLYING WITH INTERNATIONAL TRADE RULES: According to the October 28 edition of *Agriweek*, the U.S. Commerce Department announced last week that it is undertaking four separate investigations into the wheat selling practices of the Canadian Wheat Board (CWB) in response to a petition in September by the North Dakota Wheat Commission, which demanded anti-dumping and countervailing duties of up to 37.5%. The article states that such duties would immediately halt Canadian wheat exports to the U.S. The department said the initial investigation will take three months, with a preliminary ruling expected in February. A final decision could follow in June. The U.S. International Trade Commission already has started a separate investigation into whether Canadian wheat and durum shipments are harming American growers. A Canadian embassy official was quoted as saying that the government is prepared to negotiate "some issues" contained in the complaint, but that Canada believes it is complying with international trade rules, citing NAFTA and the Canada-US Trade Agreement, and does not expect the process to lead to duties or restrictions.

CWB TRADE CHALLENGE WILL COST PRAIRIE FARMERS MILLIONS: In an October 25 release from the Canadian Wheat Board (CWB), the CWB reported that the latest U.S. trade challenge against imports of Canadian spring wheat and durum will cost western Canadian farmers C$8 million to C$10 million to defend, according to CWB estimates. "It will cost Canadian farmers dearly during a very difficult time," said Larry Hill, a Saskatchewan farmer and elected CWB director. "Farmers are very frustrated." According to the CWB, the challenge will cost Prairie farmers almost twice as much to defend as all nine previous U.S. trade studies and investigations combined. Costs are related to the intensely detailed nature of the investigation, which requires responses to hundreds of pages of questionnaires, written submissions, oral presentations and case preparation. This will take thousands of hours of work by CWB staff, external lawyers and experts. But Hill said that access to the U.S. market is worth the fight, as sales of Canadian spring wheat and durum to the U.S. average about C$400 million a year, roughly 10% of CWB sales revenue.

WESTERN CANADIAN FARMERS REFUSE TO PAY FINES, OPT FOR JAIL: The October 28 *Agriweek* reports that on October 31, up to a dozen Alberta farmers will be taken to prison in Lethbridge for their parts in a 1996 border demonstration against the monopoly powers of the Canadian Wheat Board. Over the next month western farmers will be voting for five Wheat Board directors and the winners may well start a process that will lead to an end of the 60-year monopoly. It's quite a mix. Last week the soon-to-be convicts held a news conference in Ottawa that drew coverage in the national media. The farmers could have paid fines ranging from C$1,000 to $7,500, but instead will serve jail terms of 16 to 123 days, 16 days for each C$1,000 in fines. That has alarmed the pro-monopoly crowd, including the Wheat Board's directors, who were doing nearly frantic damage control by means of letters to newspapers and appearances on radio shows. Those efforts seemed feeble and self-serving by comparison and simply helped raise the profile of the case. This incident might just turn the tide in the coming vote.

CWB CAUTIOUSLY BACK IN EXPORT MARKET: According to the October 29 edition of *Agriline*, the Canadian Wheat Board (CWB) says it is back in the export market for wheat and malting barley, but is being cautious. Early last month the CWB announced it was temporarily withdrawing until the western harvest situation became clearer.

AGRICORE UNITED PUTS VANCOUVER TERMINAL UP FOR SALE: According to the October 24 edition of the *Western Producer*, either the United Grain Grower or Pacific grain terminals at the Port of Vancouver will soon have a new non-Canadian owner. Agricore United (AU) gave up its year- long battle with the federal Competition Bureau and agreed to sell one of its three Vancouver terminals. While neither the bureau nor AU officials would comment on potential buyers or the timetable for the sale. However, grain industry observers said last week they doubt if any Canadian-owned company could afford to make such a purchase. "It would have to be a multinational," said University of Manitoba agricultural economist Daryl Kraft. "I expect those assets are worth a lot of money." David Schroeder, grain industry analyst with Dominion Bond Rating Service, said the most likely candidate would be a foreign-owned company that is already a player in the Canadian grain market. "For example, a company like Louis Dreyfus has quite sizable country operations but no west coast terminal, which is all-important," he said. Some of the smaller Canadian companies - like N. M. Paterson and Sons, Parrish and Heimbecker, or the network of farmer-owned inland terminals - might like to own an export facility, but the cost is likely to be prohibitive, he said. In a related development, AU announced that it had bought Saskatchewan Wheat Pool's 30% stake in Pacific, giving it 100% control. AU can now sell Pacific Elevators without the complicating factor of SWP's interest in the facility.

NO DEAL AS TALKS FAIL IN VANCOUVER GRAIN DISPUTE: According to October 23 article from *oatgrower.com*, talks to end a labor dispute blocking grain shipments through Canada's port of Vancouver ended without a deal and with no new negotiations planned, a union official said on October 22. The Grain Workers Union and Vancouver's grain terminal operators traded proposals in an eight-hour meeting on October 21, but a union official accused the employers of demanding contract concessions that workers cannot accept. The meeting was the first since the five terminals locked out the employees on Aug. 25. The union offered new concessions to the employers on wages and job classifications, but he accused management of making additional demands in the latest talks. The Vancouver terminal operators include Saskatchewan Wheat Pool, Agricore United, Cascadia Terminal, Pacific Elevators Ltd. and James Richardson International. The companies also own shares in the Prince Rupert terminal.

FERROEQUUS APPEALS CTA RUNNING RIGHTS RULING: The October 24, 2002 edition of the *Western Producer* reports that the fight over railway running rights could be headed to court. Ferroequus Railway Co., has asked the Federal Court of Appeal for permission to appeal a decision handed down last month by the Canadian Transportation Agency (CTA). The ruling rejected Ferroequus' bid for the right to haul grain over Canadian National Railway's main line from Camrose, Alberta, to the export terminal at Prince Rupert, British Columbia. In a motion filed in Federal Court in Vancouver October 8, Ferroequus said the agency erred in areas of law and jurisdiction and misinterpreted the section of the *Canada Transportation Act* governing running rights. There is no indication when the court will decide whether to hear the appeal. The case raises questions about the future of competitive rail service in Canada, in particular grain service in Western Canada. Ferroequus will also continue to press the federal government for new rules that will make it easier to obtain running rights. The CTA has not yet decided if it will file a formal response to FE's appeal if the case proceeds to the next stage. The agency would participate in hearings to explain the reasons for its decision to the court and answer questions, but it wouldn't attempt to re-argue the entire case. In its motion seeking leave to appeal, Ferroequus said the CTA improperly attached a number of conditions before applying Section 138 of the act, which sets out the rules under which running rights are to be granted. It also said the agency considered "irrelevant" factors, denied Ferroequus a fair hearing by refusing to hear certain evidence and based its decision on law relating to competition policy that is outside its jurisdiction.

GRAIN COMMISSION PUTS CONTROLS ON NON-US FOREIGN GRAIN: The Canadian Grain Commission (CGC) is seeing increased requests to bring in foreign grain, such as feed wheat from Ukraine, barley from Denmark and oats from Finland due to the small crop in Western Canada, the CGC announced new regulations designed to keep track of foreign grain imports into Canada. The CGC says the new rules governing the storage of imported grain will help protect Canada's export program by keeping out products that could contaminate the handling and transportation system and jeopardize Canadian grain export markets. The CGC used to simply issue annual orders granting transfer elevators permission to handle foreign grain up to a specified percentage of each elevator's licensed capacity. Limits varied by facility, but the traditional level was around 40%. Now, transfer elevators wishing to handle grain from outside North America will have to receive prior authorization from the CGC on a case-by-case basis. An importing company will have to specify the elevator, the grain's origin and final destination, type and volume of grain coming in and the dates it is to be received and discharged. The new rules don't apply to grain from the United States because there aren't the same phytosanitary concerns about US grain. There are 13 licensed transfer elevators with a total licensed storage capacity of 2.3 million tonnes. Most are located in Eastern Canada along the St. Lawrence River-Great Lakes system. After a company has informed the CGC it intends to bring in a shipment from overseas, the country of origin will be informed of Canada's phytosanitary requirements for such things as pests, disease and weed seeds. The exporter will have to provide the appropriate documents when the load is shipped. The receiving elevator company will be required to take samples to the Canadian Food Inspection Agency (CFIA) for examination to ensure the load matches the specifications outlined in the documents. The CGC will then decide whether to authorize the unload and may impose certain conditions, such as keeping the imported grain segregated from Canadian grain throughout the handling process. (Source: *Western Producer*, October 24, 2002)

DROUGHT CUTS CANADIAN SEED SUPPLIES: According to the October 30 edition of *Good Morning Ontario*, the Canadian Seed Growers Association (CSGA) says this year's drought across much of the prairie region has reduced supplies of certified seed. Peas and cereals are thought to be hardest hit. "Better quality seed is going to disappear quickly," says a CSGA official. Another CSGA spokesman notes that many seed crops also yielded poorly in 2001, so stocks going into the current crop year were already depleted. The October 28 edition of *Agriweek* notes that the seed trade normally carries over an inventory of about a third of a season's needs. However, the 2001 season was also adverse and quality seed production was down. Inventory carried over from 2000 is probably more like 20 to 25% of 2003 needs. Seed production is highly region-specific. Seed of the varieties that are popular in particular areas is grown there. Where there was a near-total crop failure in 2002, such as central and northern Saskatchewan and eastern and central Alberta, production of quality seed this year approached nil. Some seed, especially the newest canola varieties, is being increased in the southern hemisphere. The warning to place 2003 orders early is aimed not just at western farmers but also at Ontario buyers who traditionally get their forage, grass, canola and spring cereal seed from western suppliers.

SNOW CONTINUES TO HALT SASKATCHEWAN HARVEST IN MANY AREAS: Cold temperatures and snow-covered fields continued to halt harvest progress in many areas, according to Saskatchewan Agriculture, Food and Rural Revitalization's final weekly crop report for the 2002 season. It is estimated that 13%, or almost 4.5 million acres, of the 2002 crop remains to be harvested, compared to the five-year average (1997-2001) of two percent. Crop that was harvested this week required drying or aeration. Harvest continues to be most advanced in southern areas where nine percent of the crop is yet to be harvested. Farmers in central areas have 15% of the crop left to harvest, while 19% of the crop remains in the northern areas. Grade levels reported for wheat are down from last week. With 77% of the spring wheat harvested, six percent of it is expected to grade No. 1 Canada Western (1 CW), 19% 2 CW, 39% 3 CW, and 36% Canada Feed. Frost, wind, snow and rain caused crop damage last week. There were also continued reports of damage due to migratory birds feeding on unharvested crops. A limited amount of fall field work was completed last week as farmers tried to apply fertilizer and dry grain. A summary crop report for the season will be released in November.

GM CANOLA ACCOUNTS FOR 63% OF ACREAGE IN 2002, SAYS CANOLA COUNCIL:
The October 28 edition of *Agriweek* reported that genetically-modified canola varieties accounted for 63% of total Canadian acreage this year, according to the Canola Council of Canada. The annual rate of increase has slowed, but by 2005 substantially all Canadian canola area will be either of GMO varieties engineered to resist glyphosate and other herbicides or will be naturally bred for the same reason. Adoption of GMO canola, which only appeared on the market in 1995, has been the fastest of any major technological advance in recent agricultural history.

ATLANTIC CANADA TRADE MISSION TO NYC: Sixteen food and beverage companies from Atlantic Canada will travel to New York City as part of a larger (all sector) Team Canada Atlantic Trade Mission organized by the Government of Canada and provincial governments. "A Taste of Atlantic Canada" reception being held Nov. 5 at the Marriott Marquis hotel on Broadway. "This is a great opportunity to showcase the quality of Atlantic Canada's cuisine," said Minister Vanclief. "We have a lot to offer when it comes to high-quality, safe food and this event will ensure the New York market is well aware of that fact." The United States is Atlantic Canada's largest export destination for agriculture and agri-food products.

FARM EQUIPMENT SALES REFLECT DROUGHT IMPACT: The Canadian Farm and Industrial Equipment Institute (CFIEI) claims Canadian farm equipment sales have been dramatically affected by the impact of the 2002 drought on farm financial health. According to the CFIEI, every horsepower range of tractors has displayed a marked downturn in unit sales with the exception of large 4WD tractors, but the low unit volume in that category is not significant enough to be a factor. Tractor sales in the 2WD categories were down for the month of September, even machines in the under 40HP sector whose sales are normally bolstered by consumer markets, with the result that unit volumes fell by 20% for the month and now are running just 1.2% ahead of last year's 3rd quarter. Unit sales in the 40 - 100HP range also fell by 13% in September, and 100+ HP tractors were down 18.6% for the month. As a result of the lower unit sales in tractors in September, year to date volumes in total are running just 2.5% ahead of the January-September figures a year ago. For more information go to: http://www.cfiei.ca

U.S. AND CANADA COOPERATE ON ASH TREE PEST: The Canadian Food Inspection Agency (CFIA) has announced that the movement of ash trees and related articles out of the Windsor, Ontario area is prohibited. The prohibition is intended to prevent the spread of the Emerald Ash Borer (Agrilus planipennis), an insect pest which poses a significant threat to forests and urban areas of Canada. Earlier this year, USDA identified the Emerald Ash Borer as the insect responsible for the death or decline of large numbers of ash trees in Detroit and the surrounding area in the State of Michigan. The Michigan Department of Agriculture has placed a quarantine on ash trees and tree parts to prevent further spread from those counties where the pest occurs. The CFIA is co-operating with other government agencies including the USDA, the Ontario Ministries of Natural Resources and Agriculture and Food and Natural Resources Canada - Canadian Forest Service to develop strategies to control the pest and prevent its spread to other areas of Canada.

CANADIAN FOOD & BEVERAGE SHOW: Recruitment is beginning this week for the Canadian Food & Beverage Show, Canada's largest food/beverage only foodservice show in Canada. The show attracts approximately 12,000 buyers and 800 exhibitors to this three day show that is being held February 16-18, 2003 at the International Center in Toronto, Ontario. For the 5th consecutive year, FAS will once again host a USA Pavilion, providing U.S. exhibitors with a complete walk on booth package, business center and a Culinary Theater. A Chef will prepare dishes using products on display in the Pavilion, often coupling the dish with an appropriate wine . Interested exhibitors are encouraged to contact the FAS/Ottawa office at: info@usda-canada.com or 613-688-5267.

B.C. OPENS DOOR FOR MORE WASHINGTON STATE WINE IMPORTS: The market for Washington state wine is being expanded in British Columbia (BC), which could boost sales in the province by about US$1 million a year. BC, which has its own winemaking region, is opening its borders to wines from eight more Washington wineries, bringing to 32 the total number in the state permitted to sell there. Within a year, Washington state could claim as much as 5% of the $60 million wine market in BC, which is ranked fifth in the world for per-capita wine consumption and imports two-thirds of the wine it consumes. (Source: The Canadian Press)

BIG WIN FOR LOBLAW AND CANADA AT SIAL PARIS: Loblaw Brands Ltd. scored a hat trick in Paris on Oct. 21, as the Canadian supermarket company won the Global SIAL d'Or award, the top prize of the international food competition, in addition to winning the prize in the Meat, Poultry & Delicatessen Meats category for its President's Choice Semi-Boneless Easy Carve Turkey. An international jury of food publication writers from 24 countries picked the Loblaw product for its innovative qualities, convenience, taste and commercial success. Loblaw shared the SIAL Global d'Or award with a French company called Pescanova. The latter was recognized for its uniquely cut and packaged lobster.

Did You Know ...that the average net worth for Canadian farms was C$844,000 in 2001, a 15% increase from 1999. Net worth varied among provinces in 2001, but the average farm in British Columbia now has a net worth in excess of C$1.0 million. (Source: AAFC)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2127	Frozen French Fries Annual	10/28/2002

CA2126	This Week in Canadian Agriculture, Issue 37	10/24/2002
CA2125	Canadian Frozen Food Market	10/23/2002
CA2124	Asian Style Foods In The Canadian Market	10/23/2002
CA2123	Dairy Farmers Propose Fluid Milk Price Increase	10/22/2002
CA2121	Dairy and Products Annual Report	10/22/2002

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